

AMENDED IN ASSEMBLY AUGUST 13, 1998

AMENDED IN SENATE APRIL 14, 1998

AMENDED IN SENATE MARCH 26, 1998

SENATE BILL

No. 1782

Introduced by Senators Thompson, Peace, and Rosenthal

(Coauthor: Assembly Members Alquist, Baugh, Bowen, Brown, Campbell, Cardenas, Firestone, Keeley, Knox, Kuehl, Leonard, Machado, Mazzoni, Ortiz, Scott, Strom-Martin, and Thomson)

February 18, 1998

An act to add and repeal Section ~~10754~~ 10759.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 1782, as amended, M. Thompson. Taxation: vehicle license fees: low emission vehicles.

The Vehicle License Fee Law provides that the annual amount of the license fee for any vehicle is 2% of the market value of the vehicle, as specified. It provides for the determination of the market value of any vehicle, for reclassification to increase the market value of a vehicle, and for the exemption of certain vehicles from the imposition of the license fee.

This bill would, until January 1, 2003, for purposes of determining the vehicle license fee, exempt from the determination of market value, the incremental costs, as defined, that are incurred with respect to a new light-duty

motor vehicle propelled by an alternative fuel that is certified by the State Air Resources Board as producing emissions that meet, or are lower than, the emission standards and other specifications for ultra-low emission vehicles, as defined by the board.

This bill would make certain legislative findings and declarations regarding vehicle emissions.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares:

2 (a) There is a wide disparity on some state and local
3 taxes and fees levied on owners of vehicles operated on
4 alternative fuels when compared to those same taxes and
5 fees levied on owners of comparable conventional fuel
6 vehicles.

7 (b) In some cases, the taxes and fees on alternative fuel
8 vehicles are more than twice as much as those for
9 conventional fuel vehicles.

10 (c) The disparity in taxes and fees exists even though
11 the alternative fuel vehicle may look identical to the
12 conventional fuel vehicle and provide the same or lesser
13 utility to the individual owner.

14 (d) The existing California vehicle license fee and
15 state and local sales and use taxes on the sale or lease of
16 motor vehicles that operate on alternative fuels are
17 higher than for comparable conventional fuel vehicles
18 because alternative fuel vehicles generally have higher
19 sales prices. The higher sales prices are largely due to the
20 fact that these vehicles are produced in extremely low
21 volumes (many assembled by hand), such that their
22 production has not achieved the economies of scale that
23 would significantly reduce their cost; and they use many
24 new advanced materials and technologies that also have
25 not yet achieved economies of scale, and therefore have
26 a temporarily greater cost to consumers.



1 (e) The higher sales prices for these alternative fuel
2 vehicles are expected to be a short-term, temporary
3 situation because prices are expected to decline
4 significantly to competitive levels as volume increases. If
5 this does not occur, these vehicles may never be
6 competitive, and automakers would likely withdraw
7 them from the market. The current vehicle license fee
8 mechanism, and sales and use tax system, do not reflect
9 these temporary, short-term pricing situations. Instead
10 they intrinsically, but incorrectly, assume that these
11 short-term higher prices reflect true long-term market
12 value of the vehicles.

13 (f) Alternative fuel vehicles provide benefits to
14 California citizens that are external to, or not reflected in,
15 their cost to the purchaser. These benefits include:
16 increasing our national independence from foreign
17 energy sources; providing more transportation choices
18 for consumers and businesses, thus reducing our
19 economic vulnerability to sudden fuel price increases
20 caused by external or internal events; reducing air
21 pollution from mobile sources; reducing future pressures
22 for additional environmental controls on existing and
23 new businesses and industries in California; and creating
24 new advanced transportation technology jobs and
25 industries in California.

26 (g) It is the public policy of the State of California, the
27 federal government, and many local governments, to
28 encourage the development and use of alternative fuel
29 vehicles, for the purpose of providing the benefits
30 described above to all California citizens.

31 (h) Existing vehicle license fee structures, and the
32 existing sales and use tax system, as they relate to the
33 determination of market value of alternative-fuel
34 vehicles do not reflect the critical short-term pricing
35 issues described above, nor the external benefits that
36 accrue to all California citizens. Additionally, these
37 existing fees and taxes act as a significant disincentive to
38 potential purchasers of alternative fuel vehicles, and as
39 such, are contrary to existing public policies at all levels
40 of government.

1 (i) It is the intent of the Legislature to equalize the
2 vehicle license fee, and state and local sales and use taxes,
3 between alternative fuel vehicles and conventional fuel
4 vehicles for a period of four years, beginning January 1,
5 1999, and ending December 31, 2002. During this time
6 period it is the intent of the Legislature that the
7 incremental or differential cost between an alternative
8 fuel vehicle and a comparable conventional fuel vehicle,
9 as determined by the State Energy Resources
10 Conservation and Development Commission, should be
11 exempt from both the vehicle license fee, and state and
12 local sales and use taxes.

13 (j) To ensure that the alternative fuel vehicles subject
14 to these provisions provide significant reduction in air
15 pollution, eligible vehicles must meet, at a minimum, the
16 standard for ultra-low emission vehicles as determined by
17 the State Air Resources Board.

18 SEC. 2. Section ~~10754~~ 10759.5 is added to the Revenue
19 and Taxation Code, to read:

20 ~~10754.~~—

21 10759.5. (a) For purposes of determining the vehicle
22 license fee imposed by this part, there are exempted from
23 the determination of market value, the incremental costs
24 of new light-duty motor vehicles propelled by alternative
25 fuels, and certified by the State Air Resources Board as
26 producing emissions that meet the emission standard for
27 ultra-low emission vehicles or lower as defined by the
28 board. This exemption shall apply to the subsequent
29 payments of the vehicle license fee.

30 (b) For purposes of this section, “incremental cost”
31 means the amount determined by the State Energy
32 Resources Conservation and Development Commission
33 as the reasonable difference between the cost of the
34 motor vehicle defined in subdivision (a) and the cost of
35 a comparable gasoline or diesel fuel vehicle. This
36 determination shall constitute the maximum incremental
37 cost for purposes of the exemption in subdivision (a), and
38 may be reduced by the actual sales price of the vehicle.
39 The actual incremental cost shall be stated in the contract

1 for sale or lease with the purchaser, and shall be reported
2 to the commission quarterly.

3 (c) This section shall become operative on January 1,
4 1999, and shall remain in effect only until January 1, 2003,
5 and as of that date is repealed.

6 SEC. 3. This act provides for a tax levy within the
7 meaning of Article IV of the Constitution and shall go into
8 immediate effect.

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